

NOTICE OF PUBLIC HEARING PROPOSED WATER RATE INCREASE October 2010

The Trabuco Canyon Water District (TCWD) Board of Directors will hold a public hearing on Wednesday, December 15, 2010, at 7:00 p.m. to consider a proposed increase for certain TCWD water rates, which if approved, would be effective on water used by TCWD customers on and after January 1, 2011. The public hearing will be held in TCWD's Boardroom, 32003 Dove Canyon Drive, Trabuco Canyon, CA 92679. TCWD customers and property owners within TCWD's service area are welcome to attend and participate in the public hearing.

Why is a Water Rate Increase Needed?

Due to the State's failure to develop and sustain existing water supplies, and due to recent court decisions to protect endangered species, the Metropolitan Water District of Southern California (MET) has been forced to use other expensive water sources and delivery strategies which have resulted in cost increases. MET is the regional water importer to Southern California. As a result, MET has determined it must increase the wholesale rate of water charged to retail agencies which are served by MET; TCWD is one of these agencies. MET's water commodity increase of 9.2%, which will affect TCWD, will go into effect January 1, 2011.

TCWD's Major Source of Water

TCWD purchases water from the Municipal Water District of Orange County (MWDOC) in order to ensure an adequate potable supply of water and to meet customer demands. MWDOC is the intermediary wholesale water agency between MET and the local retail water agencies (such as TCWD). MWDOC adjusts the water rates it charges to local retail water agencies on an annual basis based on a number of factors, the most significant factor is the cost to purchase water from MET.

TCWD Water Rates

There are two components to water rates charged by TCWD to you as a TCWD customer. The first component is the Flat Service Charge (sometimes called a "meter charge"). The Flat Service Charge is charged to recover the fixed charges associated with the operation and maintenance of TCWD's water system to make water immediately available to your service address. The second component is the Commodity Charge (also known as the "water rate"). The Commodity Charge is charged to recover the variable costs based on the amount of water actually used by TCWD water system customers. The proposed water rate increase will not affect the Flat Service Charge; only the Commodity Charge will increase.

The Effect of MET Water Rate Increase on TCWD Rates; Future "Pass Through" Rate Adjustments

As described herein, changes in MET's/MWDOC's rates are factored into TCWD's water rates. As part of approving the water rate increase(s) described in this Notice, TCWD also plans to authorize "pass throughs" for future changes in the MET/MWDOC water rates by adjustments to the TCWD water rates which are described below based on the method identified below. Subject to possible future water commodity increase(s) by MET/MWDOC, these changes are expected to occur on an annual basis for water used by TCWD customers beginning January 1 of each year commencing January 1, 2012. If MET/MWDOC do not adjust their rates in a future year, this "pass through" adjustment will not occur. By law, this "pass through" adjustment will be limited to changes in TCWD water rates through January 1, 2015. TCWD will notify customers in advance of any "pass through" adjustments to the TCWD water rates in future years.

How The TCWD Rate Increase Is Determined; “Pass Through” Method

Changes in water rates charged to TCWD by MET/MWDOC will result in a corresponding adjustment of the TCWD Commodity Water Rate, which results in a change to the TCWD water rates as described herein. The Water Commodity Cost is a component of the entire cost of water supplied to TCWD customers. For the 2009 / 2010 fiscal year, the Purchased Water Cost (water supplied by MET/MWDOC) represented 64% of the water Billing Unit Rate (the Water Commodity Rate) charged to TCWD customers. As a result, the 64% of the Water Billing Unit Rate will be adjusted by the MET water commodity increase by 9.2% effective January 1, 2011. This same methodology will be used for any future MET/MWDOC water commodity rate adjustments that affect TCWD as part of the “Pass Through” adjustments described above.

For example, if MET/MWDOC increases the water rate by 10% effective January 1, 2012, TCWD will use TCWD’s June 30, 2011 Revenue and Expense report to analyze the percentage of water purchased from MET/MWDOC in relation to the entire water expense category. The percentage of the purchased water will be modified by the proposed 10% adjustment amount and applied as of January 1, 2012 to the Water Commodity Rate, in this example.

Additional financial information concerning the basis for the proposed TCWD water rate adjustment is available at TCWD’s business offices for public review and will also be presented at the Public Hearing. Purchased Water Expense(s) are noted as line item(s) of Water Expenditures on the June 30, 2009/2010 Revenue and Expense Report.

How Will the Proposed Water Rate Increase Affect Customers?

TCWD’s Board will consider the proposed water rate increase at the December 15, 2010 public hearing. The specific water rate changes that will go into effect for water used on and after January 1, 2011, are described further in this Notice. If approved, the changed water rates would be effective for water used by TCWD customer on and after January 1, 2011.

To help promote conservation and to maintain water industry Best Management Practices, TCWD uses a tiered billing structure that increases the commodity rates for water used by residential customers, agricultural customers, and commercial customers. Based on average water usages, TCWD’s residential customers may see the following increases per month, based on the Billing Units (BUs) of water consumed by a customer. Average cost changes are shown below for both the TCWD Cool and Warm Season billing rates:

COOL SEASON (water used during October – March)

Billing Units	18	24	36	48	60	100
Current Cost	\$36.54	\$51.96	\$92.76	\$151.14	\$214.62	\$426.22
Proposed Cost	\$37.80	\$53.76	\$95.88	\$156.24	\$221.88	\$440.68
Amount of Increase	\$1.26	\$1.80	\$3.12	\$5.10	\$7.26	\$14.46

Average Use = 22 Billing Units

WARM SEASON (water used during April – September)

Billing Units	18	24	36	48	60	100
Current Cost	\$36.09	\$48.57	\$77.94	\$116.94	\$165.78	\$374.83
Proposed Cost	\$37.35	\$50.25	\$80.64	\$120.9	\$171.36	\$387.52
Amount of Increase	\$1.26	\$1.68	\$2.70	\$3.96	\$5.58	\$12.69

Average Use = 36 Billing Units

Protest of Proposed Water Rate Increase

Protests to the proposed water rate increase must be submitted in writing and received by 7:00 p.m. on December 15, 2010. Written protests may be mailed or hand delivered to Teresa Teichman, District Secretary, 32003 Dove Canyon Drive, Trabuco Canyon, California 92679. Protests received after this date and time will not be considered or counted. A postmark date is **NOT** acceptable. For members of the public who attend the public hearing, written protests will be accepted prior to the conclusion of the public hearing.

In order to be valid, each written protest must identify the affected property (either by assessor's parcel number or street address), indicate it is the water rate increase that is being protested, and include the printed name and signature of the recorded property owner. Only one protest per parcel or street address will be counted. Comments submitted by telephone or electronic mail (email) will **NOT** be accepted or counted as protests.

If written protests are submitted by a majority of the owners of affected properties, the proposed water rate increase will not be imposed. If you have sold your property within TCWD's service area, please forward this notice to the new owner(s.) If you have questions regarding the proposed water rate increase or about how to submit a written protest, please call Teresa Teichman at (949) 858-0277.

TCWD's Mission Statement

It is the purpose of the Trabuco Canyon Water District, a public service agency, to provide:

- Service to our customers which instills trust regarding the quality and quantity of the water supply
- Reliable service for collection, treatment and reuse of wastewater
- A work environment where the safety and health of employees and customers is our paramount concern.
- Information to our customers to foster and maintain a well informed community
- Cost effective and efficient services in a courteous manner

Visit our Website at www.tcwd.ca.gov

Notice of Public Hearing
Proposed Water Rate Increase
Wednesday, December 15, 2010, 7:00 p.m.
Trabuco Canyon Water District Boardroom
32003 Dove Canyon Drive, Trabuco Canyon, CA 92679

Effective Date of Proposed Water Rate Increase:

If approved, the new water rates will be effective on water bills mailed on and after January 1, 2011

CONSERVATION ENCOURAGEMENT RATE PROGRAM (CERP) TIERS

Water use begins in Tier 1, 0 to 6 Billing Units, and increased water use moves through the tiers according to the billing units used.

Water User Category	Tier 1		Tier 2		Tier 3		Tier 4		Tier 5		Tier 6		Tier 7		Tier 8	
	Current	Proposed	Current	Proposed	Current	Proposed	Current	Proposed	Current	Proposed	Current	Proposed	Current	Proposed	Current	Proposed
Cool Season - October-March	0 to 6 BUs		7 to 12 BUs		13 to 18 BUs		19 - 24 BUs		25 to 30 BUs		31 to 36 BUs		37 to 42 BUs		43 Plus BUs	
Residential	\$1.98	\$2.10	\$2.03	\$2.15	\$2.08	\$2.20	\$2.57	\$2.69	\$3.10	\$3.22	\$3.70	\$3.82	\$4.44	\$4.56	\$5.29	\$5.41
Residential 1(Topanga Zone)	\$2.10	\$2.22	\$2.15	\$2.27	\$2.20	\$2.32	\$2.72	\$2.84	\$3.28	\$3.40	\$3.92	\$4.04	\$4.70	\$4.82	\$5.60	\$5.72
Residential 2 (Portola Zone)	\$1.59	\$1.71	\$1.62	\$1.74	\$1.66	\$1.78	\$2.05	\$2.17	\$3.10	\$3.22	\$3.70	\$3.82	\$4.44	\$4.56	\$5.29	\$5.41
Residential 3 (Canyon Creek Zone)	\$3.34	\$3.46	\$3.42	\$3.54	\$3.50	\$3.62	\$4.32	\$4.44	\$5.22	\$5.34	\$6.23	\$6.35	\$7.47	\$7.59	\$8.90	\$9.02
Cool Season - October-March	0 to 6 BUs		7 to 36 BUs		37 to 48 BUs		49 to 60 BUs		61 to 72 BUs		73 to 84 BUs		85 Plus BUs			
Residential 4 (Falcon Zone)	\$3.09	\$3.21	\$3.16	\$3.28	\$3.23	\$3.35	\$4.00	\$4.12	\$4.82	\$4.94	\$5.76	\$5.88	\$6.91	\$7.03		

Water User Category	Tier 1		Tier 2		Tier 3		Tier 4		Tier 5		Tier 6		Tier 7		Tier 8	
	Current	Proposed	Current	Proposed	Current	Proposed	Current	Proposed	Current	Proposed	Current	Proposed	Current	Proposed	Current	Proposed
Warm Season - April-September	0 to 9 BUs		10 to 18 BUs		19 to 27 BUs		28 to 36 BUs		37 to 45 BUs		46 to 54 BUs		55 to 63 BUs		64 Plus BUs	
Residential	\$1.98	\$2.10	\$2.03	\$2.15	\$2.08	\$2.20	\$2.57	\$2.69	\$3.10	\$3.22	\$3.70	\$3.82	\$4.44	\$4.56	\$5.29	\$5.41
Residential 1(Topanga Zone)	\$2.10	\$2.22	\$2.15	\$2.27	\$2.20	\$2.32	\$2.72	\$2.84	\$3.28	\$3.40	\$3.92	\$4.04	\$4.70	\$4.82	\$5.60	\$5.72
Residential 2 (Portola Zone)	\$1.59	\$1.71	\$1.62	\$1.74	\$1.66	\$1.78	\$2.05	\$2.17	\$3.10	\$3.22	\$3.70	\$3.82	\$4.44	\$4.56	\$5.29	\$5.41
Residential 3 (Canyon Creek Zone)	\$3.34	\$3.46	\$3.42	\$3.54	\$3.50	\$3.62	\$4.32	\$4.44	\$5.22	\$5.34	\$6.23	\$6.35	\$7.47	\$7.59	\$8.90	\$9.02
Warm Season - April-September	0 to 9 BUs		10 to 54 BUs		55 to 72 BUs		73 to 90 BUs		91 to 108 BUs		109 to 126 BUs		127 Plus BUs			
Residential 4 (Falcon Zone)	\$3.09	\$3.21	\$3.16	\$3.28	\$3.23	\$3.35	\$4.00	\$4.12	\$4.82	\$4.94	\$5.76	\$5.88	\$6.91	\$7.03		

Agriculture (January-June)	0 to 30 BUs		31 to 60 BUs		61 to 90 BUs		91 to 150 BUs		151 Plus BUs	
	\$2.23	\$2.35	\$3.07	\$3.19	\$3.60	\$3.72	\$4.13	\$4.25	\$4.66	\$4.78

Agriculture (July-December)	0 to 30 BUs		31 to 60 BUs		61 to 90 BUs		91 to 150 BUs		151 Plus BUs	
	\$2.23	\$2.35	\$3.24	\$3.36	\$3.94	\$4.06	\$4.64	\$4.76	\$5.36	\$5.48

NON-TIERED RATES

	Current	Proposed
Billing Units (BUs)		
Multi-Family	\$2.42	\$2.54
Commercial	\$2.54	\$2.66
Commercial (Joplin Zone)	\$3.92	\$4.04
Construction	\$3.40	\$3.52
Construction - Temporary Water	\$3.40	\$3.52
Irrigation (HOAs)	\$2.68	\$2.80
Irrigation (Commercial)	\$2.79	\$2.91
Irrigation (Falcon Zone)	\$3.23	\$3.35
Irrigation (Topanga)	\$2.71	\$2.83
Reclaimed System		
Reclaimed - HOA	\$2.37	\$2.37
Reclaimed - Commercial /Other	\$2.37	\$2.49
Recycled	\$2.37	\$2.49
Residential (Lang Well)	\$2.54	\$2.66
Residential (Summerfield Homes)	\$2.68	\$2.80

Terminology
BU = One Billing Unit is equivalent to 100 cubic feet of water
Cubic Foot equals the amount of water contained in one cubic foot (7.48 gallons)
Equivalent Dwelling Unit (EDU) is the standard for the typical residence used by the District for water consumption (one EDU equals 18 BUs)
Historical Implications
In general, developers paid Capacity Charges for the District's water system for 18 Billing Units to provide:
water allocation
water storage
water distribution system
During the Cool Season, the District-wide average monthly residential water use is 22 Billing Units
During the Warm Season, the District-wide average monthly residential water use is 36 Billing Units
Excess Water Use
Residential customers consuming water in Tier 5 or greater for 12 consecutive months will be subject to a 10% penalty applied at each tier, after written notice by the District. This penalty will continue until such time that the consumption returns to Tier 4 or below.
All customers may request a consumption waiver as designated in the District's Mandatory Water Conservation Ordinance.